

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

COMMERCE

7100/02

Paper 2

May/June 2006

2 hours

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer any **four** questions.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **7** printed pages and **1** blank page.



Answer any **four** questions.

- 1** Trade may be defined as buying and selling goods and services to make profits.
- (a)** Why might a trader sometimes sell goods at a loss? [3]
 - (b)** A manufacturer makes watches. Explain how he is also involved in trade. [4]
 - (c)** A consumer buys food and drink to eat at home. Is the consumer taking part in trade? Give reasons for your answer. [3]
 - (d)** **(i)** Explain how trade and banking are interdependent. [6]
(ii) Using examples, explain how advertising assists the working of the global market. [4]
- 2** A customer has a current account and a savings account at a commercial bank.
- (a)** What are the benefits of a current account for the customer? [6]
 - (b)** Why might a customer also have a savings account? [4]
 - (c)** Explain the purposes of a debit card. [4]
 - (d)** The customer borrows \$1500 by means of a bank loan for a year.
The customer also has a \$1500 overdraft limit for a year.
8% interest is charged on each kind of borrowing.
 - (i)** Will the total interest payments paid on each kind of borrowing differ? Give reasons for your answer. [4]
 - (ii)** Calculate the total interest charged on the loan for the year.
Show your working. [2]

3 The following newspaper headlines relate to the retail trade.

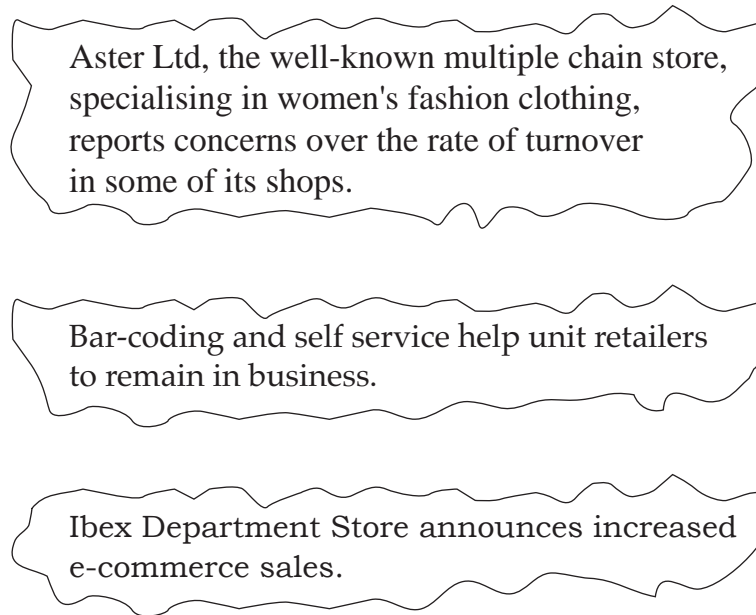


Fig. 1

Use the newspaper headlines shown in Fig. 1 to help you to answer the following questions.

- (a) (i) Explain the term *rate of turnover*. [2]
- (ii) Should Aster Ltd be concerned about a fall in the rate of turnover in some of its shops? Give reasons for your answer. [3]
- (b) (i) State **two** features of a unit retailer. [2]
- (ii) Explain why bar-coding and self-service have helped unit retailers to remain in business. [6]
- (c) (i) Explain what is meant by a department store. [3]
- (ii) Why have Ibex Department Store's e-commerce sales increased? [4]

- 4 Fig. 2 shows the sequence of documents that Agrabad Mail Order Ltd has used in a commercial transaction with a customer, Miss Phiri.

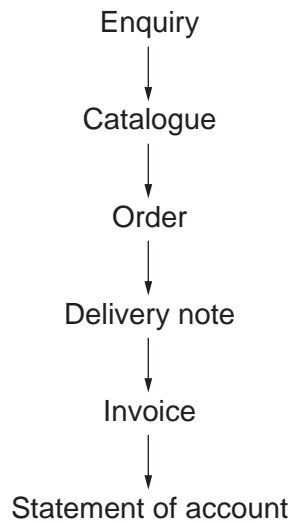


Fig. 2

Use Fig. 2 to help you to answer the following questions.

- (a) From the sequence of documents shown in Fig. 1 identify **one** document sent from the customer, Miss Phiri, to Agrabad Mail Order Ltd. [1]
- (b) Why does Agrabad Mail Order Ltd use catalogues? [2]
- (c) Distinguish between the order and the invoice. [4]
- (d) Why might Miss Phiri prefer to use a mail order company rather than shops in the nearest town? [4]
- (e) (i) Miss Phiri has bought several items totalling \$90. She is allowed 3% discount if she pays within 10 days of receiving the statement of account. Calculate the total bill if she pays within 7 days. Show your working. [3]
- (ii) Miss Phiri could use **one** of the following methods of payment for this bill:

CASH CHEQUE CREDIT CARD CREDIT TRANSFER

Which would be the most suitable? Give reasons for your choice. Explain why you have rejected the other methods of payment. [6]

5 The following officials work in the busy seaport of a country.

**CUSTOMS
OFFICER**

**BONDED
WAREHOUSE
MANAGER**

**SHIPPING AND
FORWARDING
AGENT**

- (a) Explain briefly the functions of a Customs Officer. [4]
- (b) Explain how a bonded warehouse is different from other kinds of warehouse. [4]
- (c) Explain how the seaport contributes to the country's international trade. [6]
- (d) A shipping and forwarding agent needs to contact clients:
- (i) within the country;
- (ii) in several other countries.

Discuss the means of communication the shipping and forwarding agent might use. Give reasons for your choices. [6]

6 Mrs Kumar has applied for and received a credit card with a credit limit of \$2000. She intends to use the card to buy \$200 of goods each month.

- (a) (i) Mrs Kumar settles her account in full each month. How much interest will she pay each month? [1]
- (ii) How do retailers benefit from accepting credit cards? [3]
- (iii) In what ways does using a credit card differ from having a store card issued by a large-scale retailer? [4]
- (b) Mrs Kumar bought a pair of trousers from a shop. She wore them once and then found a hole in them. Advise Mrs Kumar on what actions she should take. [4]
- (c) Mrs Kumar has decided to take out insurance to protect herself against losses from theft. Mentioning **two** insurance principles, explain how Mrs Kumar should obtain this insurance cover. [8]

7 The pictures below show three means of transport labelled A, B and C.

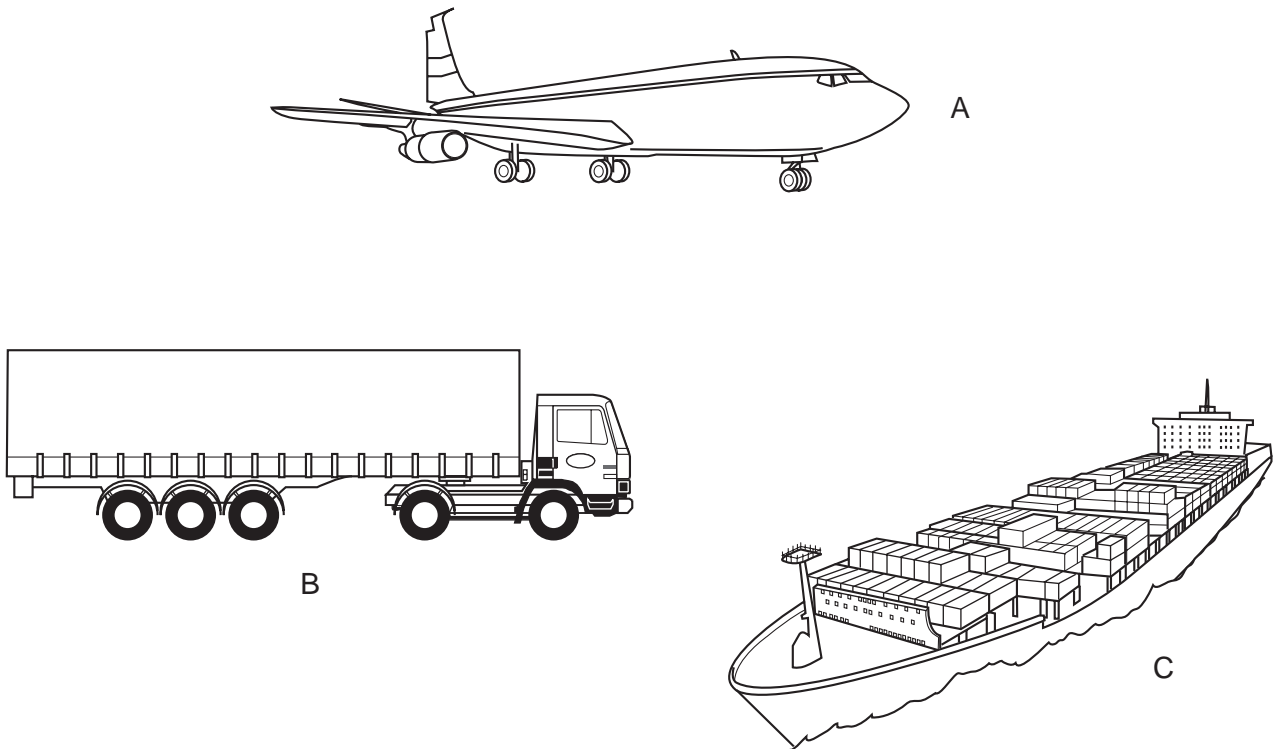


Fig. 3

Use the pictures given in Fig. 3 to help you to answer the following questions.

- (a) (i) Identify Picture B. [1]
- (ii) Identify Picture C. [1]
- (b) An international transport company has the following goods to transport:
- (i) a large consignment of canned food from a food processing firm to the regional distribution centre of a chain of supermarkets;
 - (ii) furniture from a factory in London to a country 5000 km distance away;
 - (iii) a small consignment of electronic toys from Singapore to Pakistan.

Which of the means of transport shown in Fig. 3 above would you recommend for each consignment? Give a reason for each of your choices. [6]

- (c) Despite the large volume of goods carried by sea, the number of goods carried by air freight continues to increase. Explain why this is so. [6]
- (d) Explain **three** advantages of carrying many kinds of goods in containers. [6]

8 William and Jasmine own a partnership offering computer services to small businesses.

(a) Explain **one** feature of a partnership. [2]

(b) William and Jasmine's partnership has been very successful. They wish to expand their business and are considering three options.

- taking a new partner
- investing some more money themselves and applying for a bank loan for the remainder
- converting the business into a private limited company.

Discuss each of these **three** options and recommend a course of action that William and Jasmine should take. Give reasons for your answer. [8]

Asian Traders Ltd is a limited company. It manufactures toys and games.

(c) Why is a limited company a better form of business ownership for Asian Traders Ltd than a partnership? [4]

(d) Asian Traders Ltd is experiencing a shortage of working capital.

(i) Why is adequate working capital important to Asian Traders Ltd? [4]

(ii) Explain why taking an overdraft is **not** a suitable source of finance to overcome a shortage of working capital. [2]

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